



# Quarterly Budget Report

## *First Quarter of Fiscal Year 2018-19*



**Welcome to the New Budget Quarterly Report** *The content of this report is consistent with prior versions provided in print format. As the Budget Office, and Durham County Government as an entity, move to a more paper-less work process (in line with Strategic Plan Strategy 5.3.E) we have developed this report with an on-line presentation in mind. A more interactive report / dashboard is being developed for future quarterly reports. While the core content will remain similar and as transparent, the goal will be to allow a more user-driven experience, where possible, allowing a user to delve a little deeper into areas of interest.*

## OVERVIEW

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The accompanying tables summarize the recognized revenues and expenditures for Durham County's General Fund, Capital Improvement Fund and Reappraisal Reserve Fund through September 30, 2018. Please note that 4-year First Quarter Averages have been provided for comparison. This average reflects what was reported in the First Quarter Report for the four preceding fiscal years.

Additionally, a dashboard representation is provided as a convenient way to monitor the progress of FY 2018-19 revenues and expenditures. The dashboard uses a "traffic light" indicator to represent where agencies' revenues and expenditures are in comparison to a 4-year First Quarter Average. The simple indicator alone is not a cause for concern, rather an area that merits a second look. For all "red light" indicators an overview of the cause is provided.

For revenues, green represents revenues at 90% or greater than the 4-year average, yellow represents revenues between 70% and up to 90% of the 4-year average, and red represents revenues below 70% of the average. For expenditures, green represents expenditures not more than 2% greater than the 4-year average, yellow represents expenditures between 2% and 5% greater than the average, and red represents expenditures greater than 5% of the average.

## EXECUTIVE SUMMARY

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**Revenues.** Through September 30, 2018, the County collected \$56,452,933 or 10.89% of the budgeted General Fund, Capital Improvement Fund and Reappraisal Reserve Fund revenue. Two of the most significant revenues in these funds, property tax and sales tax revenue collections, traditionally are not received in significant amounts until the Second Quarter of the fiscal year.

Current year property tax collection, the largest single revenue source for Durham County, is slightly above the 1<sup>st</sup> Quarter 4-year average (13.56% collected, vs 13.10% respectively). Property taxes are due in December; therefore, the great majority will be received in December and January. We anticipate the actual collections will remain close to the average through the Second Quarter. Solid waste management fees are billed with the property tax bills, so this revenue should track with



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property tax payments. Beer and Wine Licenses are billed and collected during the Third Quarter of each fiscal year.

Due to the method of distribution from the North Carolina Department of Revenue, no sales tax collections are recorded during the 1<sup>st</sup> Quarter of the fiscal year, and therefore show at 0%. The July 2018 (1<sup>st</sup> month of FY 2018-19) sales taxes were received in October 2018 and will be reflected in the second quarter report.

Key Revenues	Current Budget	Revenues End of Qtr.	% Revenues	4-Year Qtr. Average	Status of Revenues
1% Local Option Sales Tax (Article 39)	\$25,208,255	\$0	0.00%	0.00%	●
1/2% Local Option Sales (article 40)	\$13,961,887	\$0	0.00%	0.00%	●
1/2% Local Option Sales Tax (Article 42)	\$17,000,000	\$0	0.00%	0.00%	●
1/2% Local Option Sales Tax (Article 46)	\$14,300,000	\$0	0.00%	0.00%	●
ABC Net Profit Distribution	\$2,300,000	\$0	0.00%	0.00%	●
Animal Control Fees	\$50,000	\$10,468	20.94%	28.15%	●
City Sales Tax Distribution	\$13,386,107	\$0	0.00%	0.00%	●
Court Facilities Fees	\$250,000	\$56,381	22.55%	19.33%	●
Deed Registratration and Transfer Fees	\$5,200,000	\$1,349,174	25.95%	30.31%	●
EMS Patient Fees	\$8,310,000	\$2,015,694	24.26%	18.74%	●
Environment Engineering Permit Fees	\$450,000	\$202,127	44.92%	30.97%	●
Investment Revenue	\$960,000	\$0	0.00%	79.46%	●
Local Occupancy Tax (General Fund)	\$3,576,000	\$680,257	19.02%	20.14%	●
Local Occupancy Tax (NCMLS)	\$500,000	\$0	0.00%	0.00%	●
Other Revenues	\$121,897,988	\$12,511,764	10.26%	12.82%	●
Property Taxes	\$287,960,039	\$39,049,910	13.56%	13.10%	●
Sheriff Fees	\$800,000	\$177,907	22.24%	23.37%	●
Solid Waste Management Fee Co	\$2,159,929	\$399,252	18.48%	15.58%	●
<b>Total</b>	<b>\$518,270,205</b>	<b>\$56,452,933</b>	<b>10.89%</b>	<b>11.34%</b>	

- Current Year Collections equal 90% or greater than 4-year 1st Quarter Average
- Current Year Collections equal 90% to 70% of 4-year 1st Quarter Average
- Current Year Collections equal 70% or less than 4-year 1st Quarter Average

Agency specific revenue items include:

- Finance- There are two primary factors causing the indicator for Finance to be red. In prior years the Durham County and Duke University agreement provided \$100,000 for the Durham Crisis Access Center building. Per the agreement that was established in 2009, FY2017-18 was the final year of this funding. This revenue was always received in the first quarter which causes the indicator in this case to appear red. The other factor contributing to the variance is that Investment Revenue for Quarter 1 is posted well after the quarter has closed (late 2<sup>nd</sup> to early 3<sup>rd</sup> quarter), so those revenues are not captured as of this date.



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Revenues by Department	Current Budget	Revenues End of Qtr.	% Revenues	4 Year Qtr. Average	Status of Revenues
County Administration	\$33,968	\$0	0.00%	16.73%	●
Finance	\$111,191,381	\$258,762	0.23%	0.71%	●
Tax Administration	\$294,813,039	\$40,169,235	13.63%	13.20%	●
Legal	\$2,000	\$0	0.00%	24.33%	●
Elections	\$315	\$45	14.37%	0.90%	●
Register Of Deeds	\$5,370,000	\$1,393,097	25.94%	30.08%	●
General Services	\$2,852,571	\$538,505	18.88%	19.62%	●
Human Resources	\$30,000	\$10,887	36.29%	26.20%	●
Veterans Services	\$2,000	\$0	0.00%	0.00%	●
County Sheriff	\$2,284,213	\$520,889	22.80%	25.45%	●
Fire Marshal	\$809,566	\$84,363	10.42%	23.63%	●
Criminal Justice Resource Center	\$883,250	\$68,657	7.77%	16.02%	●
Youth Home	\$415,000	\$27,238	6.56%	12.75%	●
Emergency Medical Services	\$12,535,000	\$4,524,987	36.10%	34.66%	●
Engineering & Environ Svcs	\$647,935	\$270,632	41.77%	31.17%	●
Other Environmental Protection		\$1,251	0.00%	23.78%	●
Cooperative Extension Service	\$304,378	\$32,955	10.83%	24.94%	●
Soil And Water Conservation	\$26,760	\$0	0.00%	18.99%	●
Economic Development	\$945,000	\$200,000	21.16%	0.00%	●
Public Health	\$6,936,127	\$928,772	13.39%	27.48%	●
Social Services	\$29,472,693	\$7,099,542	24.09%	18.89%	●
Other Human Services	\$808,754	\$1,524	0.19%	17.52%	●
Library	\$844,864	\$116,461	13.78%	23.57%	●
Nondepartmental	\$47,061,391	\$205,132	0.44%	2.33%	●
<b>Total</b>	<b>\$518,270,205</b>	<b>\$56,452,933</b>	<b>10.89%</b>	<b>11.34%</b>	

- Current Year Collections equal 90% or greater than 4-year 1st Quarter Average
- Current Year Collections equal 90% to 70% of 4-year 1st Quarter Average
- Current Year Collections equal 70% or less than 4-year 1st Quarter Average

- Fire Marshall- The “stoplight” indicator for revenue in this case is related to the Emergency Management Fund Center. For FY2018-19 the cost share Inter-local agreement with the City of Durham has resulted in a larger budget than previous years which funds some new initiatives (new HazMat Planner position, a generator for the Emergency Operations Center, and floor coverings for emergency shelters). In other words, the denominator side of the equation is larger than previous years. The end of year collection is projected to be met at 100%.
- Criminal Justice Resource Center- CJRC revenues are mostly from State and Federal Grant programs. In this case some minor fluctuations in grant revenue received to date is causing



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the indicator to show red. The expectation is that all grants will proceed as budgeted and projected revenues will be reached by the end of the fiscal year.

- Youth Home- Revenue for the Youth Home is largely comprised of reimbursements for “out of County” bed day usage which is lower than previous years 1<sup>st</sup> quarter amounts. This number varies because of non-County juveniles' criminal activity and how Judges decide on placement of those juveniles which is driven by the offenses committed.
- Cooperative Extension- Reimbursement revenues have been received in the Welcome Baby program from Smart Start grant funds and are on par with the 4-year average, however, there is a timing issue with revenue postings being delayed
- Public Health- the indicator is related to late revenue postings of grant funding in DINE and Bull City United
- Other Human Services- Revenue related to reimbursement of grant funding in the ACCESS transportation has been delayed due to an issue with executing the contract. The expectation is that grant funding revenues will meet budget projections.
- Library- Three mid-years grants were received for the Library that increased the total budget when compared to the four-year average. The revenues have not been received yet but will be received by year end.
- Non-Departmental- The budget for transfers from other funds has increased compared to prior years, specifically a transfer from the Debt Service Fund to support one-time purchases of vehicles and equipment. These types of transfers are typically posted in the fourth quarter. This budget to actual variance is driving lower than average 1<sup>st</sup> quarter collection percentage.

**Expenditures.** General Fund, Capital Improvement Fund and Reappraisal Reserve Fund expenditures and encumbrances through September 30, 2018 total \$119,285,967 or 22.80%, of the budget. The percentage is below the 4-year average of 27.22%.

During the first quarter, expenditure percentages for some departments exceeded the 4-year average spending levels due in part to the timing of encumbered contracts. Based on past trends as the fiscal year progresses, a normal expenditure pattern usually emerges. All expenditure levels were reviewed and a brief explanation for those trending at the higher levels noted in red follows below.



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Expenses by Department	Current Budget	Expenses and Encumbrances End of Qtr.	% Expenses and Encumbrances	4 Prior Year Qtr. Average	Status of Expenses
Board Of County Commissioners	\$704,475	\$202,819	28.79%	31.88%	●
County Administration	\$2,689,463	\$716,280	26.63%	30.93%	●
Finance	\$3,327,317	\$995,848	29.93%	33.03%	●
Tax Administration	\$7,713,661	\$2,997,241	38.86%	35.17%	●
Legal	\$2,332,386	\$520,937	22.33%	23.29%	●
Court Facilities	\$687,545	\$438,368	63.76%	88.14%	●
Elections	\$1,748,854	\$415,926	23.78%	28.49%	●
Register Of Deeds	\$2,066,587	\$594,138	28.75%	28.34%	●
General Services	\$16,264,133	\$6,709,978	41.26%	40.10%	●
Information Technology	\$8,828,305	\$2,650,320	30.02%	24.98%	●
Human Resources	\$2,593,273	\$837,336	32.29%	30.88%	●
Budget & Management Services	\$1,020,579	\$305,943	29.98%	16.90%	●
Veterans Services	\$330,967	\$67,526	20.40%	21.48%	●
Geographic Information Systems	\$477,968	\$79,661	16.67%	22.77%	●
County Sheriff	\$36,728,497	\$10,295,834	28.03%	30.90%	●
Emergency Communications	\$1,384,278	\$396,955	28.68%	32.74%	●
Fire Marshal	\$3,837,722	\$2,341,282	61.01%	24.16%	●
Medical Examiner	\$225,000	\$40,850	18.16%	18.06%	●
Criminal Justice Resource Center	\$4,489,446	\$1,255,584	27.97%	30.75%	●
Youth Home	\$1,242,400	\$316,076	25.44%	25.00%	●
Emergency Medical Services	\$16,676,779	\$4,212,206	25.26%	30.23%	●
Other Transportation	\$512,500	\$12,500	2.44%	20.09%	●
Engineering & Environ Svcs	\$2,842,044	\$791,618	27.85%	30.39%	●
Other Environmental Protection	\$57,437	\$57,437	100.00%	100.00%	●
Open Space Management	\$147,736	\$88,552	59.94%	55.84%	●
Planning	\$1,285,133	\$214,189	16.67%	22.79%	●
Cooperative Extension Service	\$1,231,294	\$268,654	21.82%	26.28%	●
Soil And Water Conservation	\$594,278	\$169,078	28.45%	26.83%	●
Economic Development	\$4,485,763	\$721,793	16.09%	31.64%	●
Public Health	\$26,338,389	\$10,726,956	40.73%	44.04%	●
Mental Health	\$6,245,859	\$6,245,859	100.00%	99.74%	●
Social Services	\$47,201,619	\$12,565,171	26.62%	28.99%	●
Other Human Services	\$1,296,917	\$243,648	18.79%	50.97%	●
<b>Total</b>	<b>\$523,199,446</b>	<b>\$119,285,967</b>	<b>22.80%</b>	<b>27.22%</b>	

- Current Year Expenditures are up to 2% greater than 4-year 1st Quarter Average
- Current Year Expenditures are between 2% and 5% greater than 4-year 1st Quarter Average
- Current Year Expenditures are more than 5% greater than 4-year 1st Quarter Average



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Agency specific expenditure items in red include:

- Information Technology- The Primary driver for higher 1<sup>st</sup> quarter expenditures are contract encumbrances. Information technology Services has moved to have all contracts align with the fiscal year, which requires early encumbrance of the funds.
- Budget & Management Services- The primary cause for higher trending 1<sup>st</sup> Quarter expenditures is due to contract encumbrances. Budget and Management Services uses several software platforms to monitor progress toward Managing for Results (MFR) and for managing the administration of the non-profit funding process. Full year expenses for these contracts were encumbered during the 1<sup>st</sup> quarter.
- Fire Marshall- The spending in this department is related to Emergency Managements' grant contracts being encumbered early in FY2018-19; as opposed to prior years encumbrance being seen towards the latter half of the fiscal year.